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2 February 1957

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Copy No. 131

# CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 41

NO CHANGE IN CLASS.

DECLASSIFIED

CLASS. CHANGED TO: TS S C 2005

NEXT REVIEW DATE:

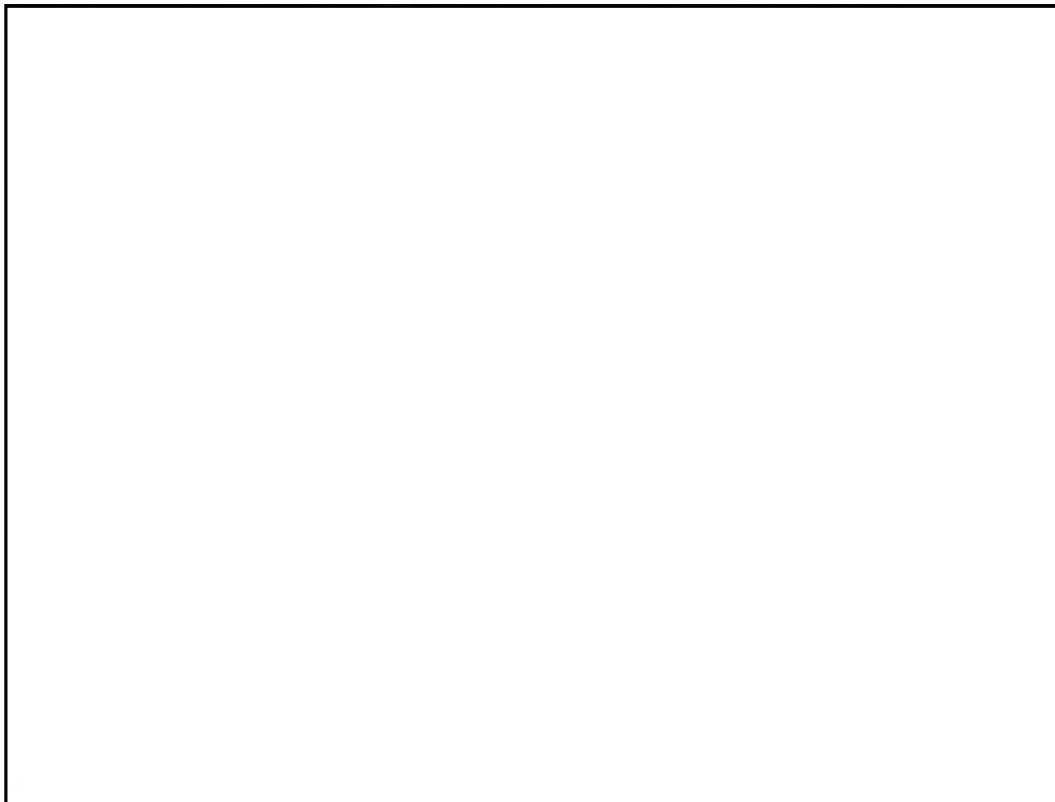
AUTH: HR TO: 2

DATE 12-27-75 REVIEWER:

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OFFICE OF CURRENT INTELLIGENCE  
CENTRAL INTELLIGENCE AGENCY

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State Dept. review completed

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Approved For Release 2002/10/21 : CIA-RDP79T00975A002900410001-4

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1. FAILURE OF NEHRU AND CHOU EN-LAI TO ISSUE COMMUNIQUE SUGGESTS SINO-INDIAN DISAGREEMENT

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The failure of Nehru and Chou En-lai to issue a joint communiqué before Chou left India for Ceylon on 31 January suggests that disagreement on world prob-

lems exists between the two leaders. In all of the nine other countries he has already visited on his current tour, Chou and his hosts issued communiqués. During Chou's many talks with Nehru which began in November,

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The two leaders reportedly disagreed in their November and December talks on Chou's insistence that American policy in the Far East continued to be warlike and that Soviet intervention in Hungary was justified. Nehru's apparently favorable reaction to his visit to the United States in mid-December may have contributed to a reluctance to associate himself with Chou in a pronouncement on world affairs at this time.

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## 2. INDIAN FOREIGN EXCHANGE RESERVES RESUME SHARP DECLINE

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[Redacted]  
Indian foreign exchange reserves declined by \$27,200,000 during the week ending 25 January, according to the figures of the Reserve Bank of India.

These reserves now stand at only \$1,072,000,000.

### Comment

Although Indian foreign exchange reserves fell by nearly \$440,000,000 from 1 April through 30 November, they had appeared to be partially stabilized by the recent measures taken by the Indian government to curb imports. They fell by only \$19,000,000 during the next six weeks, but during the past two weeks they have fallen by an additional \$36,000,000, and now stand below what is considered to be the minimum safe level required for currency backing and for working capital for foreign trade.

Although India has approached the International Monetary Fund for \$200,000,000 in assistance, the IMF has not yet agreed to grant the full amount. The government may therefore be forced to reduce the foreign exchange held as backing for the currency, or reduce the scope of the Second Five-Year Plan. Since the Congress Party has made its management of the economy and plans for future economic expansion the key elements in its election campaign, such actions would reduce its chances of winning a workable majority.

[Redacted]

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3. ALL-OUT EFFORT BY CUBAN GOVERNMENT TO OVERCOME INSURRECTIONISTS REPORTED IMMINENT

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About 2,000 Cuban military are now concentrated in and around the south-eastern city of Santiago in Oriente Province for an all-out drive against insurrectionists in the Sierra Maestra Mountains, [redacted]

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[redacted] The rebel force, possibly numbering 300, includes remnants of the group belonging to the "26 of July" movement of Fidel Castro which landed on 2 December 1956 and a considerable number of residents of the Santiago area who have joined the group.

New clashes between the revolutionaries and the military in Oriente were reported in mid-January, and information received by [redacted] the American embassy in Havana indicated that the "26 of July" movement has been planning a series of new disturbances throughout the island.

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The government's inability to put an end to a wave of terrorist acts which have occurred since the 30 November 1956 revolutionary outbreak in Santiago and its use of strong repressive measures have caused public unrest to increase.

While the bulk of the armed forces has been considered loyal, in the past year there have been reports of dissatisfaction and possibly plotting, particularly within the army, a key factor in the situation. Over 100 members of the armed forces have been arrested for refusal to fight the rebel forces, according to a Cuban government official.

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#### 4. LOCAL MASJUMI LEADERS ARRESTED IN INDONESIA

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[REDACTED] Seventeen local Masjumi leaders in a West Java city were arrested on 29 January, according to a Masjumi spokesman.

Party leaders fear that further arrests will be made in the interest of depriving the Masjumi of local leadership and intimidating its supporters. The American embassy comments that all political groups expect a political showdown soon, possibly accompanied by demonstrations or violence.

##### Comment

The arrest of these Masjumi leaders, and of 30 other persons in Djakarta, at a time when the government is hard pressed by a series of political and military crises may be the beginning of a campaign to suppress critics of the Ali regime by force.

5. BRITAIN FEARS JORDAN MAY EXACT HEAVY PRICE  
FOR TERMINATION OF TREATY

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The British expect that in negotiations on termination of the Anglo-Jordanian treaty of 1947 beginning at Amman on 4 February, considerable equipment and installations will have to be handed over in the hope of forestalling a demand for everything the British have accumulated in Jordan. The Foreign Office told the American embassy in London that British stocks in Jordan are considerable, including large quantities of materiel removed from the Suez base two years ago, and referred to certain stores and equipment worth \$19,500,000 as among the probable objects of Jordanian demands.

The British want to retrieve the bulk of their materiel in Jordan, and at the same time, according to the Foreign Office, retain Jordan's good will. London doubts, however, that treaty provisions obligating Jordan to purchase the British installations at a fair valuation are likely to be honored, especially since Jordan's allies, Egypt, Syria, and Saudi Arabia, are unlikely to furnish money for such a purpose. The British want the negotiations conducted entirely by their ambassador at Amman in order to avoid calling too much attention to the talks.

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**6. INDIA DECIDES AGAINST PURCHASE OF SOVIET CIVIL AIRCRAFT**

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[Redacted]

India has decided not to purchase civil aircraft from the USSR, according to the Indian director general of civil aviation. He says that the proposal has been discussed with two groups of Soviet experts during recent months, but that New Delhi has decided the parts and repair difficulties would make the use of Soviet aircraft uneconomic.

**Comment**

The USSR has been trying to break into the Indian aircraft market, which is expected to become lucrative in the future. The Indian government plans to expand its airlines and replace most of its planes during the next few years. India is hesitant to purchase Soviet civil aircraft because of reluctance to diversify further the types of aircraft it operates.

The USSR has also offered to supply IL-28 jet light bombers at about half the cost of the British Canberras that India has been planning to purchase. A contract for Canberras has been ready for signature for several months, but there have been recent reports that India is reconsidering the purchase of Soviet jet bombers.

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